



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

May 22, 2014

Board of Supervisors  
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First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

## SACRAMENTO UPDATE

### Executive Summary

This memorandum contains reports on the following:

- **Status of County-Sponsored Budget Trailer Bill Language** - related to the financing structure for the Martin Luther King, Jr. Community Hospital, passed the Senate Budget Subcommittee No. 3 on Health and Human Services on May 21, 2014.
- **Senate and Assembly Budget Subcommittee Actions.** A report on State budget items of significant interest to the County considered by the budget subcommittees.
- **Legislative Analyst's Office (LAO) Report.** A summary of the LAO's overview of the Governor's May Budget Revision.

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### Status of County-Sponsored Budget Trailer Bill Language

County-sponsored budget trailer bill language to update and maintain the financing structure for the new Martin Luther King, Jr. Community Hospital, as provided in the original agreement between the County, the State, and the University of California and contained in County-sponsored AB 2599 (Chapter 267, Statutes of 2010), passed the

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Senate Budget Subcommittee No. 3 on Health and Human Services by a vote of 2 to 0 on May 21, 2014. The Assembly Budget Subcommittee No. 1 on Health and Human Services is expected to take action on this item on May 23, 2014.

### **Budget Subcommittee Hearings**

During the week of May 19, 2014, the Senate and Assembly Budget Subcommittees convened to consider proposals in the Governor's May Budget Revision and to take action on items from the Governor's January Budget, which were previously heard and held open pending the release of the May Revision. The Senate Budget Subcommittees concluded hearings on May 21, 2014, and the Assembly Budget Subcommittee hearings are expected to conclude on May 23, 2014.

As of May 22, 2014, the budget subcommittees have taken action on the following items of significant interest to the County:

- **Medi-Cal Expansion - County Indigent Savings.** On May 21, 2014, by a vote of 2 to 1, the Senate Budget Subcommittee No. 3 on Health and Human Services adopted the Governor's May Revision proposal to redirect \$724.9 million statewide in 1991 Health Realignment funding from counties to the State attributable to potential county indigent health care savings due to the implementation of the Medi-Cal expansion under the Federal Affordable Care Act. The Assembly Budget Subcommittee No. 1 on Health and Human Services is expected to take action on this item on May 23, 2014. **The Department of Health Services reports that this proposal would redirect an estimated \$238.0 million in 1991 Health Realignment funding from the County to the State in FY 2014-15.**
- **Services to Support Child Victims of Commercial Sexual Exploitation.** On May 21, 2014, by a vote of 2 to 1, the Senate Budget Subcommittee No. 3 on Health and Human Services adopted a County-supported budget proposal by the County Welfare Directors Association (CWDA) to increase funding support to enable county child welfare agencies to serve child victims of commercial sexual exploitation. Specifically, the Subcommittee approved to provide first-year costs of \$40.6 million in FY 2014-15, including \$20.3 million in State General Fund (SGF), and ongoing costs of \$28.5 million (\$14.3 million in SGF). As previously reported, the Department of Children and Family Services indicates that this proposed funding is a major step in enabling county child welfare agencies to serve these child victims through social worker, foster parent and service

provider training, staffing, added resources and coordination with other county agencies and community providers. The Assembly Budget Subcommittee No. 1 on Health and Human Services is expected to consider this proposal.

- **CalFresh Administration Match Waiver.** On May 21, 2014, by a vote of 3 to 0, the Senate Budget Subcommittee No. 3 on Health and Human Services adopted a County-supported budget proposal by CWDA, California State Association of Counties, and the Urban Counties Caucus to gradually phase out the CalFresh Administration Match Waiver over a five-year period to provide flexibility and fiscal relief to counties. Specifically, under the adopted proposal, effective July 1, 2015, and for the following four fiscal years, the portion of the State General Fund allocation that can be accessed after a county meets its Maintenance of Effort (MOE) would phase-out incrementally. As previously reported, in 2010, the State enacted the CalFresh Program Administration Match Waiver which enables counties to receive relief from their share of the cost for program administration once they have met their MOE requirement. The Governor's January Budget and May Revision do not contain any proposals to extend the CalFresh Match Waiver. On May 22, 2014, the Assembly Budget Subcommittee No. 1 on Health and Human Services approved this proposal by a vote of 3 to 0.
- **In-Home Supportive Services Program (IHSS).** On May 21, 2014, the Senate Budget Subcommittee No. 3 on Health and Human Services rejected the Governor's January Budget proposal to prohibit IHSS providers from working overtime to control program costs, which was in response to the U.S. Department of Labor's new regulations, effective January 1, 2015, that require overtime pay for domestic workers. Instead, by a vote of 2 to 1, the Subcommittee approved an augmentation of \$66.0 million for costs to implement payment for overtime. As previously reported, the Department of Public Social Services indicates that as long as the current IHSS MOE structure remains in place, there would be no direct impact to the County as a result of any IHSS provider overtime costs. The Assembly Budget Subcommittee No. 1 on Health and Human Services is also expected to consider this proposal.
- **Adult Protective Services (APS) Program Training.** On May 22, 2014, by a vote of 3 to 0, the Assembly Budget Subcommittee No. 1 on Health and Human Services approved a County-supported budget proposal by CWDA to provide \$1.25 million in SGF to increase funding and support for statewide APS training, which may include increasing the number of training days for new social workers, supporting curriculum development and training for supervisors, and advanced training for APS workers. The APS program was realigned to counties in 2011; however, the California Department of Social Services retains program training

responsibilities. As previously reported, the Department of Community and Senior Services indicates that an increase in training funds would benefit the APS Program by providing training to approximately 147 social workers, and would help APS program staff further acquire a working knowledge of law, policy, and practice issues which would enhance their basic skills in receiving and evaluating reports, and in planning and intervention services for abused, neglected or exploited disabled adults who are found to be in need of protective services. The Senate Budget Subcommittee No. 3 on Health and Human Services did not take action on this proposal; therefore, this item is expected to be considered by the Budget Conference Committee.

- **Pension Obligation Property Tax Increment.** On May 21, 2014, at the request of Senator Ricardo Lara, the Senate Budget Subcommittee No. 4 on State Administration and General Government held an information-only discussion on the pension obligation property tax increment. As reported to the subcommittee in the agenda analysis, statutory clarification is necessary to establish that pension-related tax increment revenue should be allocated to cities so that it is used for the purpose intended by the voters. The analysis also indicated that addressing this issue will increase State General Fund costs by an unknown amount, possibly in the tens of millions of dollars annually. Alan Fernandes, the County's Chief Advocate, advised the members of the subcommittee that 12 of the 88 cities in Los Angeles County have a voter-approved pension tax. Mr. Fernandes testified that the Board of Supervisors supports administrative or legislative proposals to ensure that revenue from voter-approved pension-related tax increments is retained in the city that levied the tax. No vote was taken by the subcommittee.

### **Legislative Analyst's Office Overview of the May Budget Revision**

On May 16, 2014, the Legislative Analyst's Office (LAO) released its analysis of the Governor's May Budget Revision entitled, *The 2014-15 Budget: Overview of the May Revision*. The LAO projects \$2.5 billion in additional State General Fund revenue compared to the revenue forecast contained in the Governor's May Revision. The LAO indicates that its forecast considers a variety of different revenue sources projected to be collected between FY 2011-12 and FY 2014-15; however, the primary revenue sources in the LAO's forecast include the State's personal income tax, sales and use tax, and corporation tax, otherwise known as the State's "big three taxes." According to the LAO, the \$2.5 billion revenue variance is primarily attributable to \$2.2 billion in additional estimated personal income tax revenues, mostly in capital gains tax in FY 2014-15. However, the LAO explained that this projection could be higher or lower,

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potentially by billions of dollars, given the volatility and unpredictability of California's tax system. The LAO also cautioned that the vast majority of any additional State General Fund revenues would be directed to K-12 education and community college as required under Proposition 98.

As previously reported, the May Revision provides \$1.2 billion in new State General Fund spending to provide Medi-Cal coverage for an additional 1.4 million persons. The LAO generally agrees with the Administration's caseload estimates; however, based on a preliminary analysis, the LAO indicates that the Administration's projected per-enrollee cost estimates appear to be too high. According to the LAO, costs are overstated by \$64.0 million in FY 2013-14 and by \$230.0 million in FY 2014-15. The LAO is reviewing additional information provided by the Administration and expects to report their findings to the Legislature during legislative budget hearings.

Overall, the Legislative Analyst's Office concludes that the May Revision takes a careful approach to the State's finances for which the Governor deserves much credit. The LAO notes that as a result of the Governor's cautious approach, the State will improve its chances of managing the next significant revenue downturn and avoid having to make the level of drastic budget cuts that were required as a result of the last few recessions.

The LAO's overview of the May Revision is available at: <http://www.lao.ca.gov>.

We will continue to keep you advised.

WTF:RA  
MR:VE:IGEA:ma

c: All Department Heads  
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California Contract Cities Association  
Independent Cities Association  
League of California Cities  
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